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CHAL-1082-60 ✓

8 July 1960

**MEMORANDUM FOR: Acting Chief, Development Projects Division**

**SUBJECT : FY 1961 Operational Program**

1. This Program has now been brought into an almost satisfactory form through the major and greatly appreciated labors of members of your staff. Moreover, I have no legitimate complaint with it since modifications that I directed have been made in the CHALICE estimates for FY 1962 and the CHALICE budget proposed for FY 1961 had been approved by me.

2. Nevertheless, I cannot in good conscience recommend that the Director approve the CHALICE budget for FY 1961, despite my earlier concurrence in these numbers. After all, we are assuming that our inventory of U-2 aircraft is cut from 13 in FY 1960 to 7 in FY 1961, that the number of pilots is reduced by about 1/3, that the total personnel are reduced by about 1/6, and that operations conducted are at a reduced rate. Yet the numbers your Division has presented show only a 20% reduction in the cost of Materiel and an actual increase of [REDACTED] in Overhead other than at headquarters. I can predict with certainty that the DCI would not approve these figures, and I would think the less of him if he did. In any event, I will certainly not approve them.

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3. I believe it should be possible to reduce the item for Overhead other than at headquarters by approximately [REDACTED] for both FY 61 and FY 62, and the Materiel item by some [REDACTED] for FY 61 (down to the level projected for FY 62). The former of these two items represents, for the most part, salaries of government and contractor personnel. I believe we must find ways to reduce the number, and hence the cost, of CHALICE personnel outside of headquarters by at least 25%. I realize we cannot cut the Overhead item by the full 25% from the FY 60 level because of the sizable terminal costs to be paid on employees who are separated. It is hard for me to believe, however, that the figures shown in the 7 July Operational Program presuppose realistic savings obtainable through prompt action with respect to personnel, miscellaneous work by Lockheed, and other materiel items (notably, film).

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CHAL-1082-60

Page 2

4. I understand the increases in items for CHALICE Operations and Development and do not question these figures.

5. I suppose one more confrontation is inevitable before this Program is put to bed and will endeavor to schedule it on Saturday morning, 9 July. I would like responsible section heads at 11 o'clock to show cause for these extraordinary estimates. I will want to know briefly for the major items of personnel and materiel costs: (a) what rate of expenditure we will be down to by the middle of FY 1961, and (b) what extra personnel costs, if any, must be allowed for. I will expect to make this a brief session, and in the course of it to fix the totals for the CHALICE Operational Program and to direct that your next presentation be for the purpose of advising me what we can do within these totals. If we cannot cut the costs of CHALICE for FY 1961

25X1A [REDACTED] I will recommend that the project be terminated at an indicated savings of some [REDACTED] personnel. We have reached a phase in this Activity where we must simply find ways to achieve at least a 15% reduction in cost when we are reducing our capability by 45% and when no effort is being made to achieve any reduction in costs in headquarters overhead. 25X1A

[SIGNED]

RICHARD M. BISSELL, JR.  
Deputy Director  
(Plans)

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DDP/RMB/htb/7 July 1960